

Message Text

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71

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 L-03 FTC-01 STR-08 XMB-07 JUSE-00 H-03 DRC-01

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 2199

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

USMISSION EC BRUSSELS

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USMISSION GENEVA

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DEPT PASS TREAS FOR BLAKE, COMMERCE FOR NEUMANN

E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: INVISIBLES COMMITTEE SPECIAL MEETING ON DIRECT
INVESTMENT

REF: USOECD 6763

SUBSTITUTE FOLLOWING FOR PARAGRAPH 7 REFTEL:

U.S. EXPERT DESCRIBED DUAL BANKING SYSTEM AND PROVISIONS OF BANK HOLDING COMPANY ACT AS THEY APPLY TO FOREIGN BANKS IN U.S. POSITION OF FOREIGN BANKS IN U.S. MARKET IS CURRENTLY UNDER REVIEW, LARGELY BECAUSE OF UNUSUAL SITUATION IN WHICH FOREIGN BANKS HAVE CERTAIN PRIVILEGES THAT ARE DENIED TO U.S. BANKS. THUS, FOREIGN BANKS MAY ESTABLISH BRANCHES IN MORE THAN ONE STATE AND ENGAGE IN FINANCIAL OR NON-FINANCIAL ACTIVITIES THAT ARE DENIED TO U.S. BANKS OR U.S. BANK HOLDING COMPANIES. THESE INEQUITIES IN COMPETITIVE SITUATION BETWEEN FOREIGN AND DOMESTIC BANKS IN U.S. MARKET ARE BEING STUDIED BY U.S. ADMINISTRATION. WHETHER CHANGES IN FOREIGN BANK REGULATION SHOULD BE PROPOSED WILL BE DECIDED ONLY AFTER CAREFUL ASSESSMENT. WHILE IT IS TOO EARLY TO INDICATE OUTCOME OF STUDY, IT IS BASIC TENET OF U.S. POLICY THAT FOREIGN COMPANIES, INCLUDING BANKS, SHOULD BE SUBJECT TO SAME RULES AS U.S. COMPANIES AND COMPETE ON EQUAL BASIS IN U.S. NATIONAL MARKETS. SAME PRINCIPLE SHOULD APPLY TO U.S. COMPANIES IN FOREIGN MARKETS. WHILE RELATED BILLS HAVE BEEN INTRODUCED IN CONGRESS BY REPS PATMAN AND REES, HEARINGS HAVE NOT BEEN HELD AND, DUE TO TIME CONSTRAINT, IT IS DOUBTFUL ANY NEW LEGISLATION THIS SUBJECT WILL BE APPROVED BY CONGRESS DURING 1974. U.S. ADMINISTRATION EXPECTED TO OPPOSE TMAN BILL WHEN HEARINGS ARE HELD.

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